

and private sector place and enterprise. It aims to create a stable business environment for an industry that employs thousands of Americans and generates billions of dollars in economic activity each year.

Our bill pursues this goal in several important ways.

First, it will reduce the bureaucracy and redtape that plagues our regulation of the commercial space industry. Currently, the oversight of space-related businesses is scattered among multiple federal agencies, and burdens businesses with complex, confusing, and often conflicting rules. It is not an environment that encourages progress and innovation.

This bill takes the first step toward clarity by requiring each relevant federal agency to clearly state its requirements for commercial space licensing. That requirement will help space businesses in their efforts to raise capital, develop a consistent business plan, and create new job opportunities within the commercial space industry.

Second, our bill encourages federal agencies to act in a more efficient manner by increasing the private sector's involvement in servicing and launching space hardware, in addition to their current role in building rockets and satellites. This will bolster the expansion of the commercial space industry, while at the same time reducing Government costs and saving tax dollars.

For example, this legislation would call for NASA to look at the role the private sector may play in operating, maintaining, and supplying the international space station. It would also encourage the conversion of old ballistic missiles into launch vehicles, a use that will reduce storage costs and provide for less expensive commercial space launches.

Finally, it is imperative that we update existing Federal law to reflect the rapid pace of technological change. Mr. President, we cannot hope to prepare for the high-tech 21st century if the Federal Government maintains a 20th century mentality. Our laws should be flexible enough to adapt to a world in which new science and technology is created every minute.

These goals will be difficult to achieve, however, if we do not recognize the role of State and local governments in reducing space costs. This is especially relevant to Florida. I am hopeful that our legislation will spur a robust and energized commercial space industry. Within 8 years, the number of launches in Florida are expected to double. But this potential growth can only be achieved if there exists a productive working relationship among all entities involved in the commercial space industry, including state and local governments.

Mr. President, I would like to take a moment to tell you exactly what this legislation will accomplish:

This bill will require NASA to submit a report that identifies and examines

the prospects for commercial development, augmentation, or servicing of the international space station by the private sector. Private sector involvement in the commercial space industry is likely to reduce the costs of operating, maintaining and supplying the space station and will allow State governments to act as potential brokers in reducing space station costs.

We amend the Commercial Space Launch Act and to give the Federal Government the authority to license commercial space reentry activities. This is an essential portion of the bill. Without this legal authorization, commercial reusable launch vehicles will not be allowed to re-enter the atmosphere, a restriction that would stymie the realization of important technological developments and investments by the commercial space industry.

This bill reaffirms our Nation's plans to make the Global Positioning System [GPS] a world standard. GPS is a space-based system that individuals can use to determine their precise position on Earth. Although it began as a military/defense system, the GPS applications have expanded to other sectors. In addition, foreign governments are interested in entering this lucrative global market. Therefore, in an effort to protect our economic interests and our national security, it is imperative that we encourage our President to enter into regional agreements with foreign governments to secure U.S. GPS as the unquestioned global standard.

The legislation further requires the Federal Government to purchase both space hardware and transportation services from the private sector. This will encourage innovation within the commercial space industry, while simultaneously promoting greater cost efficiency and protecting our national security.

This legislation allows the conversion of excess ICBM's into space transportation vehicles. These missiles cannot be used for defense purposes due to the START treaty. The conversion of these missiles could save taxpayer dollars by eliminating storage costs and providing cost effective launches for small scientific and educational payloads.

Mr. President, I was extremely pleased when the House passed its version of this legislation earlier this week. It is my understanding that this legislation will be a priority for the Senate Commerce Committee when Congress returns from recess in 1998.

I look forward to working with Chairman MCCAIN, subcommittee Chairman FRIST, my colleague, Senator MACK, and other members of the committee and the Clinton administration, to enact this important commercial space legislation.

Mr. GREGG addressed the Chair.

The PRESIDING OFFICER. The Senator from New Hampshire.

EXTENSION OF TIME FOR MORNING BUSINESS

Mr. GREGG. I ask unanimous consent the period for morning business continue until 2:30.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE BUDGET SURPLUS AND PAYROLL TAX BURDEN

Mr. GREGG. Mr. President, I rise to address an issue which has far-reaching concerns for our Nation. Many of our colleagues have heard of the improving economy and have participated in the improving economy and recognize as a result of this improving economy it is likely that the Federal Government will incur a budget surplus in the very near future. This comes about because of a lot of hard work by this Congress, especially this Republican Congress, in controlling the rate of growth of the Federal Government. It is something that is unusual, obviously, not having occurred in the last 25 years.

Not only will we have a budget surplus, but it is projected by OMB that the budget surplus will continue well into the first decade of the next century.

So, I think that we need to discuss how we address this issue. This is an unfamiliar situation, as I mentioned, for Washington. We certainly do not have much experience in dealing with surpluses so there is naturally some perplexity as to how best to address it. To my mind the answer is pretty clear: The surplus should result in relief to the American taxpayers.

Needless to say this is the right answer on economic grounds. If the Government takes in more revenue than it needs to finance its operation, the answer is not for the Government to spend that; rather, it only makes economic sense to return the extra revenues to the private economy that bears the burden of supporting the Government. Not only that, but in this particular case, the appropriateness of tax relief could not be more clear. Let none of us forget what has enabled Congress to accomplish this goal of balancing the budget. It has in large part been the dramatic growth of the economy.

If the private sector in this country had not come through with a surge of productivity, then the budget negotiators might not have been able to reach the agreements necessary to accomplish a surplus to reach a balanced budget. It would, therefore, be ungracious of us, at the least, not to return that surplus to the taxpayers who have earned it.

I rise, Mr. President, today to voice a specific hope—that this Congress will consider, when that time comes, when we have reached a surplus, including a cut in the payroll tax as the appropriate way to address the returning of this surplus to the American taxpayer.

There are several reasons for this—all of them, I believe, noble. First of

all, the payroll tax is the most regressive component of our tax burden. There are no deductions, no personal exemptions in figuring of the payroll tax. It's assessed directly on the first dollar of workers' wages, and from there it goes upward until it reaches the wage cap.

Moreover, the payroll tax has been the fastest growing component of the Federal tax burden. When one includes the employer's share of this tax, we find that the majority of Americans pay more in payroll taxes than they do in income taxes. The payroll tax has grown dramatically from a level of approximately 1 percent for each employee and employer a little more than a generation ago, to today where it is approximately 15.3 percent. So while Federal revenues have stayed roughly constant as a percentage of the National economy, an ever-larger proportion of the burden of taxes has been carried by the wage earner in the form of payroll taxes.

But an equally important point is that these payroll taxes were never intended to finance the general operations of Government, as it is doing today. Quite the contrary. The payroll taxes are supposed to finance the operations of the Social Security system and the Medicare system.

I know my colleagues do not need to be reminded of the enormous unfunded liability that exists with respect to the long-term obligations of the Social Security and Medicare systems. These enormous payroll tax burdens, I regret to say, are not being used to reduce that long-term liability. Surplus payroll taxes today are used to buy Government securities, which must be redeemed by the Federal Government in the future to pay back Social Security programs. That money will, of necessity, come from taxation again, to create the general revenues necessary to redeem the bonds.

A review of the figures is startling. Right now, Social Security's total income is \$451.3 billion and total outflow is \$370.8 billion. This leaves a surplus in the Social Security fund of \$80 billion. Of that total, \$43.6 billion is in the form of interest payments by the Federal Government to itself, and the other \$36.9 billion represents the annual operating surplus in the Social Security trust fund.

So each year, we run an annual operating surplus in Social Security that is slightly more than 1 percent of the national payroll. That surplus is combined with interest payments to increase the size of the Social Security trust fund. That trust fund is projected by the trustees to grow each year until it reaches a peak value of \$2.89 trillion in the year 2019.

I ask my colleagues to think about what that \$2.89 trillion means. That \$2.89 trillion is not only assets owned by Social Security; more importantly, it is a debt owed by the Federal Government to Social Security. In order to pay the benefits to future beneficiaries,

the Federal Government will need to tax the American public, through general tax revenues, to come up with this \$2.89 trillion.

Every year that we collect these surplus payroll taxes, we create several significant events. We add to the trust funds, and thus we add to the debt owed by the Federal Government. We take payroll taxes from hard-working Americans today and, instead of really saving them, we convert them into a tax burden on the Americans of tomorrow. This certainly is no way to run a government, a country—or a railroad, for that matter.

In order to fully understand the bizarre situation in which we are placing ourselves, I ask my colleagues to consider the trustees' projections for the period 2012 through 2019. In the year 2012, we will see the first year of operating deficits within the Social Security trust fund. That means that, in that year, annual Social Security revenues will amount to less than promised benefits.

In other words, it will require cash from the general Treasury in that year just to meet the current benefit payments to Social Security recipients.

Yet, in that same year, interest compiled by the Social Security trust fund will be an enormous \$140 billion. So we will need to take \$9 billion of that interest payment from the general fund and use it to pay beneficiaries immediately. The other \$131 billion will be credited to the Social Security trust fund, so that the trust fund will grow, theoretically at least, from \$2.2 to \$2.4 trillion in that year, even as the program is running annual operating deficits. This obviously doesn't work.

Think about what will be happening at the same time. We will need money from the general Treasury just to pay current beneficiaries, and billions in assets will be added to the Social Security trust fund—but that doesn't exist—and the trust fund, continuing to grow, will earn even more interest in the next year, to be paid from the general Treasury.

So each year—from 2012 through 2019—the Federal Government will make larger and larger contributions to Social Security, in current benefit payments and interest payments. In the year 2018, for example, the Social Security operating deficit will be \$147 billion. That means it will have to pay out \$147 billion more than it takes in. So, of the \$171 billion in interest payments that will be due that year from the Federal Government, \$147 billion will be needed right away to pay benefits, and only the remaining \$24 billion will continue to build the trust fund.

It's in the year 2019, however, that the roof really starts to fall in. Then, even with all the interest payments from the general Treasury and all the current payroll taxes and benefit taxation, there will still not be enough money to pay the Social Security beneficiaries, and we will have to begin to redeem the principal on Social Security

trust fund T-bills in order to pay the benefits.

Every year that we continue to collect surplus payroll taxes, and thus swell the size of the trust fund, is a year that we add to the unfunded liabilities that we are piling on the heads of our children and their children, the American taxpayers to come.

It is largely for this reason that I believe that payroll tax relief is needed. I have introduced a piece of legislation, S. 321, that would give 1 percent of the payroll tax back to the wage earners; in other words, it would be a tax cut, to be saved in an individually owned retirement account. This would give us a Head Start on prefunding some of the massive liability, by moving it off the Government ledger and into genuine savings, because, you see, the basic problem here is that the Social Security system is a pay-as-you-go system. That creates a huge unfunded liability. Until we start to prefund that liability, we are not going to get out from underneath that unfunded liability. The best way to prefund that liability is to take the surplus that we are presently running in the Social Security system, cut taxes, give wage earners back their money, and allow them to save it for their retirement so that they have a savings account, identified to them, in their name, which they can use to benefit them at retirement and, thus, turn a contingent liability into an actual savings vehicle.

If we were to pass this bill today, S. 321, we would not solve all of Social Security's problems, but it would eliminate approximately 78 percent of Social Security's projected insolvency. That is a pretty good chunk. We would, however, vastly reduce the burden on tomorrow's economy. For example, whereas, under present law, Social Security will absorb more than 17 percent of the national payroll tax base by the year 2030, under this legislation, it would absorb closer to 14 percent. That is a major drop—3 percent—in our national economy, which will at that time be multiple trillions. That is part of the gain that comes from prefunding Social Security's liability, instead of simply continuing to collect and spend surplus payroll taxes, leaving tomorrow's obligations for another day.

It is critical, as we debate the issue of the surplus which is coming, that we make a thoughtful decision on how to handle it. I think a thoughtful decision involves some obvious facts. What is our most significant, looming fiscal problem as a nation? It is the burden of our pension plans, which are unfunded. What is the most significant unfunded pension plan in America? It is the Social Security system.

The second logical effort that should be addressed in addressing the surplus is, who gave us the money in the first place? Who has the best right to claim that money? That is clearly the taxpayers of America. We can address both of these issues by following the course that I have outlined here today—cut

the Social Security tax, return it to the wage earner, allow the wage earner to start to preinvest, to presave for their retirement, with the taxes which are now going into a fund that is on a cash-flow basis. The taxes are now being used to operate the Government, the general Government, instead of being used and identified as the savings of the Social Security recipients. This is a good policy approach to what is looming as one of the major policy debates that we will confront as a Congress as we move toward the next century.

Mr. President, I yield the floor.

Mr. DURBIN addressed the Chair.

The PRESIDING OFFICER. The Senator from the great State of Illinois is recognized.

Mr. DURBIN. I thank the Chair for recognizing me. I thank my colleague for his statement on the future of Social Security. He is recognized in this Chamber as one who has studiously addressed himself to this and many other challenges.

I hope that next year my colleague will lead a bipartisan effort to take a serious look at the future of Social Security and Medicare, and so many entitlement programs that we worry about, in terms of long-term solvency. I thank my colleague for his remarks. Though I may not agree with every particular, I certainly do respect the fact that he continues to stick with this issue through thick and thin, as he should. The Senate should address it, and, hopefully, we can do it together in a bipartisan fashion.

Mr. GREGG. Mr. President, I appreciate that kind comment. The Senator from Illinois has certainly made a serious effort in a number of areas in this Chamber. I have enjoyed working with him, for example, on the tobacco issues. And I look forward to working with him on this. I also believe this must be resolved in a bipartisan manner.

JUVENILE CRIME

Mr. DURBIN. Mr. President, I am, as you know, concluding my first year in the U.S. Senate. Within a few days, we may be able to go home, and the sooner the better.

As I reflect on my first year, I think back on one particular issue, which I didn't anticipate being of great importance and now has turned out to be of major importance on my legislative agenda. I was appointed to the Senate Judiciary Committee and, as a result of that appointment, I decided to really focus on the issue of crime, particularly juvenile crime, in the United States.

This past year, I made my visits back to Illinois coincide with an effort to study the problem of juvenile crime. During the course of 1997, I visited jails and prisons, detention centers, have met with judges and law enforcement officials, have been to drug rehab facilities, have been to many, many

schools in the State of Illinois, have met with young people and their parents, and I have tried as best I could to come to grips with some of the problems that we have in this Nation as it relates to crime.

I find it very curious to consider the following: The United States has one of the strongest economies in the world. I daresay that you could not travel across the world and find another country so widely admired as the United States. No matter where you go, people talk about us—the way we live, our music, our art, our culture, our economy. We should take great pride in that. We also know for a fact that, if we were to lift all restrictions on immigration and say the borders of the United States are wide open, we would be inundated with people from all over the world who would walk away from their cultures, their families, and their traditions, many of them just hoping they would have a chance to come to America and be part of this great democratic experiment.

Having said that, though, the one thing that is curious to me, despite all of these positive things, is, why is it that the United States of America has the largest percentage of its population imprisoned, incarcerated, of any country in the world except one—Russia? Why is it, over the last 10 years, we have seen such a dramatic increase in incarceration and imprisonment in America? Is there something genetic about living in America that leads more people to commit crime? I question that. I don't think that's true. But what is it about our country that is engendering more imprisonment and more incarceration?

Now, let's be fair and look at both sides of the ledger. We have found that, as incarceration rates have gone up and the State and Federal prisons have grown in size, the crime rate has gone down.

So there is a positive side to this. If people who are committing crimes are being taken off the streets to make those streets safer for our families, our communities, and our neighborhoods, that is a positive development. I do not want to suggest at all that we should step back from that commitment. If someone is guilty of crime, they should do the time. It is not just the slogan; it is a fact. And in America, more and more people are doing time.

But is there an answer to this dilemma, or challenge, which goes beyond the obvious, the enforcement of crime, the imprisonment of criminals? Can we as a nation aspire to a goal where we see a continued reduction in crime and a reduction in incarceration? Because imprisonment is a very expensive undertaking for a society. First, we measure it in dollar terms. In the Federal prison system it is probably \$20,000 a year to keep a prisoner there. Roughly the equivalent of what it takes to go to some of the best colleges and universities we spend each year to put men and women in prison and keep

them there at the State level. It goes as high as \$30,000 in my own State of Illinois. It is an expensive commitment.

Don't forget this important fact. There is not a person in prison today who didn't get there because he or she created a victim. So in order for that process to work its way through, someone was victimized. Someone may have been killed, assaulted, raped, or burglarized—whatever it might be.

So when we talk about reducing prison populations, it is more than saving money. It is also a question of sparing victims, but doing it in a way that still reduces crime.

I have taken a look in my State at some of the things that are being discussed. I have talked to some of the leaders across the Nation. I have come up with some things that I hope this Congress can address on a bipartisan basis. Let's start at the very beginning.

We now know through research, which has been proven time and again, that one of the most critical areas in the life of an individual is the very first few months of life. We used to think that those gurgling, babbling little kids were so cute. We would diaper them, feed them, laugh at them, try to guess who they looked like in the family, and we didn't realize that while we were doing that, this child's brain was developing at a rapid pace. In fact, in the first 18 months of life, some 75 percent of a child's brain has developed.

The reason I raise that is because I think there is a link between the development of our children, how well they develop, and what they turn out to be. My parents believed that. I believe that. My wife and I did, as do our children. I think it is a fact.

When I visited the Cook County Juvenile Detention Center about 6 months ago and saw the hallways filled with teenage kids, mainly boys, walking back and forth, it looked like a high school with 14- to 15-year-olds filing back and forth in uniform. But, of course, these weren't just high-school-age kids; these kids had been convicted of a crime.

I asked the prison psychologist. I said, "Who are these children?" He said, "Senator, these children I could describe in about four or five characteristics." First, they come from broken homes, almost invariably. Second, they have a learning disability. They were falling behind in school. They weren't learning as well, either because of poor nutrition before they were born in their mother's womb, or poor nutrition after they were born, exposure to narcotics, exposure to abuse. These children are basically "unattached." That is a term that is used in psychology about which many people would just shake their heads and say, "How could this be?" But it basically means a child coming into this world does not receive the most fundamental and basic emotional bonding with a parent or a loved one.

How many parents automatically, instinctively grab that baby, pull the